

**COVID-19 Impacts on Arkansas’ Agricultural and Rural Economies**

**UPDATE:**

**Gasoline Market Situation and**

**Outlook for Summer**

**Prepared by:**

**John D. Anderson**

**Department of Agricultural Economics and Agribusiness**

**April 9, 2021**

**Gasoline Market Situation and Outlook for Summer**

Summer driving season is fast approaching, and after a year of severely curtailed travel due to the pandemic, people appear to be itching to get on the road. Fueling up for the trip is not going to be cheap, though; at least not as cheap as in the recent past. Retail gasoline price have risen considerably in the last several weeks. Anecdotally, some localized shortages have even developed. This seems mostly due to normal seasonal factors along with some lingering impact of February’s severe winter weather. And while prices aren’t all that high in historic context, they are lot higher than in 2020, when the demand shock of the pandemic kept prices depressed for much of the year. For the week ending April 5, the average retail price of gasoline in the U.S. was $2.945 per gallon. This is about even with prices in late-Spring/early-Summer 2019, but it is far higher than the pandemic-induced low of $1.87 per gallon in late-April 2020. Figure 1 shows weekly U.S. retail gasoline prices for 2019 through 2020 year-to-date.

Data Source: U.S. Department of Energy, Energy Information Administration

**Figure 1.** Weekly U.S. Retail Gasoline Prices: All Grades, All Formulations

Gasoline prices in Arkansas have risen a bit more, comparatively, than nationally. The Energy Information Administration does not specifically break out Arkansas prices, but Arkansas is included in their Petroleum Administration for Defense District 3 (PADD3), which includes Alabama, Arkansas, Louisiana, Mississippi, New Mexico, and Texas. The PADD3 average retail gasoline price hit $2.693 per gallon near the end of March before retreating almost a nickel in the subsequent two weeks. This is a lower average than the U.S. price, but the increase since the first of the year has been greater: U.S. prices have gone up about 25% since the first week of the year; PADD3 prices have gone up about 35% over that same period. Prices in the PADD3 region are the highest since June 2018.

At least some of the PADD3 increase appears to be a hangover from the production disruptions caused by the severe winter weather across the southern region in the second half of February. Figure 2 shows the sharp decline in PADD3 production of finished gasoline by refiners and blenders for about three weeks beginning in mid-February.

Data Source: U.S. Department of Energy, Energy Information Administration

**Figure 2.** Weekly Refiner and Blender Net Production of Finished Gasoline: PADD3 (Gulf Coast)

This disruption in production, coming shortly before both normal seasonal production slowdowns as refiners shift to the production of summer gasoline formulations as well as seasonal increases in demand, has resulted in a drawing down of finished gasoline stocks. For the week ended April 2, total stocks of finished gasoline amounted to just over 19 million barrels – a record low. Clearly, this situation offers strong fundamental support for gasoline prices, resulting in the sharp increases recently observed in most markets.

Looking ahead, despite expectations for strong seasonal demand, bolstered by a steady return to more normal post-pandemic activity, retail gasoline prices are likely to begin to moderate as the supply side of the market recovers from the recent shocks. This appears to already be happening. Total gasoline stocks, which include not only finished gasoline but also major gasoline blending components, have already turned up – recovering a bit faster than the market anticipated. The U.S. Department of Energy, Energy Information Administration released their [Summer Fuels Outlook](https://www.eia.gov/outlooks/steo/report/summerfuels.php) report on April 7. This report projects a U.S. average gasoline price this summer of $2.78 per gallon, which is actually lower than the current price and back to about even with 2019’s summer gasoline prices. So, while gasoline prices will remain high relative to 2020’s depressed levels, the market appears to be settling in to a more stable equilibrium – hopefully one more mile marker on the road back to normal.

The University of Arkansas System Division of Agriculture offers all its Extension and Research programs and services without regard to race, color, sex, gender identity, sexual orientation, national origin, religion, age, disability, marital or veteran status, genetic information, or any other legally protected status, and is an Affirmative Action/Equal Opportunity Employer.